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Alberta Distillers, Limited Annual Report

1962





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Alberta Distillers, Limited

CALGARY, CANADA
AND ITS SUBSIDIARIES

board of directors	Mervyn A. Dutton William C. Mainwaring Charles G. McConville William H. McLallen	George H. Reifel Harry F. Reifel Charles H. Wills
officers	George H. Reifel, <i>President</i> Harry F. Reifel, <i>Vice-President</i> Charles H. Wills, <i>Secretary</i> Charles G. McConville, <i>Comptroller</i> Ernest Fleury, <i>Assistant Secretary</i>	
registrar and transfer agent	Eastern Trust Company, Toronto, Ontario; Vancouver, British Columbia; Calgary, Alberta	
bankers	The Canadian Imperial Bank of Commerce, Vancouver, British Columbia	
auditors	Clarkson, Gordon & Co. Elveden House, Calgary, Alberta	
distillery and registered office	14th Street and 34th Avenue, S.E., Calgary, Alberta	
executive and sales offices	722 Nelson Street, Vancouver, British Columbia	
eastern Canada sales offices	39 Newcastle Street, Mimico, Ontario	
Quebec sales offices	Hotel de la Salle, Montreal, Quebec	
United States sales offices	Carrington & Company, Ltd., 666 Fifth Avenue, New York, N.Y. Harry M. Silver, <i>President</i>	
shares listed	Toronto Stock Exchange Vancouver Stock Exchange Calgary Stock Exchange	

REPORT OF THE BOARD OF DIRECTORS

TO THE SHAREHOLDERS

This report covers the operations of Alberta Distillers, Limited and its wholly-owned subsidiaries for the year ended May 31st, 1962.

FINANCIAL RESULTS

During the year ended May 31, 1962, gross sales of Alberta Distillers, Limited, were \$12,089,573. This is an increase of \$1,820,680 over our sales in 1961. Net income, after taxes, was increased by \$208,087 to \$602,121.

On October 1, 1961, the Company redeemed all of its outstanding 5% First (Closed) Mortgage Sinking Fund Bonds.

In the accompanying financial statement all sales are shown in Canadian dollars. Favourable exchange rates on U.S. dollars have had the effect of adding \$54,853 to total sales. In addition, a premium of \$132,930 has been realized on the disposal of U.S. funds. While the premium on U.S. dollars gives the Company a price advantage in the United States market and appears to increase earnings, it has resulted in higher costs which are expected to make these benefits of fairly short duration.

Gross sales shown in this report include Canadian and United States taxes on liquor sold. This is done in order to make this statement readily comparable with the reports of other distillers and it also serves to indicate the cash investment in taxes necessary to finance our sales.

THE UNITED STATES MARKET

Sales of our subsidiary CARRINGTON and COMPANY for the year were \$4,697,900 which compares with \$4,767,742 last year. Despite the fact that our U.S. sales increased in volume, lower prices have reduced the dollar sale figure. However, there was an increase in overall earnings from the United States.

"CANADA HOUSE" which continues to be our largest selling brand went ahead, particularly in the New England states and in New York where it now stands third in Canadian Whisky sales. "CANADA HOUSE" is distilled, aged, and blended in Canada but because it is bottled in the United States, it can be sold for less than many competing brands.

At the same time "CARRINGTON'S CANADIAN", our premium priced whisky in the United States, continued to sell at the same levels as last year. Merchandising and promotion are being concentrated to ensure further success for both of these products.

THE CANADIAN MARKET

A good year was experienced by our Canadian sales organization with volume increases in all markets. Extensive marketing programs have been commenced in order to continue improvement of domestic sales and profits.

However, analysis of profit sources for all Canadian distilling companies could be expected to reveal that less than 5% of the industry income is earned at home. Regulations and taxation that restrict earnings on investment to little more than the interest on a bank saving account make it necessary for Canada's distilling industry to be, predominantly, an export business.

PRODUCTION AND PLANTS

A fire which occurred on May 5th of this year, severely damaged the still house at our plant in Calgary. Reconstruction is now underway and it is anticipated that production will be resumed in November.

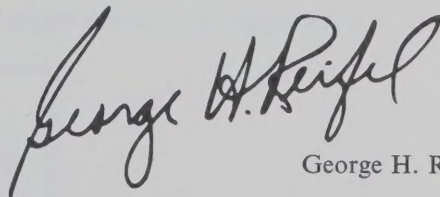
Damage was confined to the distilling unit and no mature whisky was destroyed. Blending, bottling and shipping have continued without interruption and all losses are fully covered by insurance.

Because of the fire, our Mimico plant is operating at near capacity and is now making gin for sale in both Eastern and Western Canada.

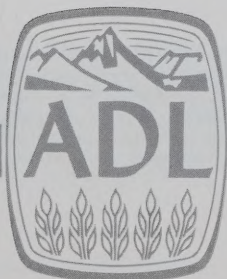
APPRECIATION

Once again your directors wish to record sincere thanks and appreciation to all employees for their loyal and faithful service, and to the many shareowners who have supported ADL products during this past year.

Submitted on behalf of the
Board of Directors.



George H. Reifel



Alberta Distillers, Limited

AND ITS SUBSIDIARIES

	ASSETS	1962	1961
CURRENT:			
Cash	- - - - -	\$ 122,169	\$ 155,756
Accounts receivable	- - - - -	1,954,847	1,725,435
Inventories of maturing and bottled whiskies and manufacturing supplies valued at the lower of cost or market	- - - - -	5,200,257	4,903,673
Prepaid expenses	- - - - -	53,567	53,675
6% Mortgage	- - - - -	—	33,000
Total current assets	- - - - -	<u>\$ 7,330,840</u>	<u>\$ 6,871,539</u>
FIXED — AT COST (Note 1):			
Trade marks	- - - - -	\$ 2	\$ 2
Land	- - - - -	36,713	36,713
Buildings, machinery and equipment, less accumulated depreciation of \$1,410,977 (\$1,254,249 in 1961)	- - - - -	2,023,620	2,171,956
		<u>\$ 2,060,335</u>	<u>\$ 2,208,671</u>
OTHER:			
Fire loss account (Note 1)	- - - - -	\$ 47,734	\$ —
Long term debt discount and expenses less amounts written off	- -	69,612	78,612
		<u>\$ 117,346</u>	<u>\$ 78,612</u>
		<u><u>\$ 9,508,521</u></u>	<u><u>\$ 9,158,822</u></u>

On behalf of the Board:

GEORGE H. REIFEL, Director.

CHARLES G. McCONVILLE, Director.

AUDITORS'

To the Shareholders of
Alberta Distillers, Limited.

We have examined the consolidated balance sheet of Alberta Distillers, Limited and its subsidiaries as at May 31, 1962 and the consolidated statement of profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Calgary, Alberta.
July 17, 1962.

Consolidated Balance Sheet

MAY 31, 1962 AND 1961

	LIABILITIES	1962	1961
CURRENT:			
Bank loan — against which accounts receivable and inventories are pledged as collateral - - - - -		\$ 2,814,000	\$ 3,102,500
Accounts payable - - - - -		248,461	160,947
Deposits on production contracts - - - - -		99,200	154,281
Income and other taxes payable - - - - -		552,597	326,884
Sinking fund instalments due within one year - - - - -		91,500	126,693
Total current liabilities - - - - -		<u>\$ 3,805,758</u>	<u>\$ 3,871,305</u>
LONG TERM DEBT (Note 3) - - - - -		<u>\$ 1,650,000</u>	<u>\$ 1,837,188</u>
SHAREHOLDERS' EQUITY:			
Capital (Note 4) —			
Authorized — 5,000,000 shares without nominal or par value			
Issued — 3,591,125 shares (1961 — 3,591,000 shares) - -		\$ 1,662,316	\$ 1,662,003
Paid-in surplus - - - - -		10,000	10,000
Earned surplus - - - - -		2,380,447	1,778,326
		<u>\$ 4,052,763</u>	<u>\$ 3,450,329</u>
		<u>\$ 9,508,521</u>	<u>\$ 9,158,822</u>

See accompanying notes.

REPORT

In our opinion and according to the best of our information and the explanations given to us, and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statement of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of Alberta Distillers, Limited and its subsidiaries at May 31, 1962 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.,
Chartered Accountants.

Alberta Distillers, Limited

AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS FOR YEARS ENDED MAY 31, 1962 AND 1961

	1962	1961
Gross sales - - - - -	\$12,089,573	\$10,268,893
Excise and sales taxes - - - - -	6,742,331	5,472,166
Net sales - - - - -	\$ 5,347,242	\$ 4,796,727
Cost of sales (production, rack house and bottle shop costs, less sales of by-products) - - - - -	2,431,330	2,350,874
Gross profit - - - - -	\$ 2,915,912	\$ 2,445,853
Expenses:		
Shipping costs - - - - -	\$ 80,982	\$ 54,705
Selling, advertising and promotion costs - - - - -	1,113,227	947,932
Interest — bank loan - - - - -	157,914	189,551
Interest — long term debt - - - - -	108,421	119,883
Salaries, office and general expenses - - - - -	400,285	400,500
Amortization of long term debt discount and expense - - - - -	9,000	10,000
Discount on bonds redeemed - - - - -	(14)	(1,961)
Loss on sale of fixed assets - - - - -	546	2,547
Exchange adjustments - - - - -	(132,930)	—
	\$ 1,737,431	\$ 1,723,157
Profit before income taxes - - - - -	\$ 1,178,481	\$ 722,696
Income taxes (Note 5) - - - - -	576,360	328,662
Net profit for the year - - - - -	\$ 602,121	\$ 394,034
Earned surplus at beginning of year - - - - -	1,778,326	1,384,292
Earned surplus at end of year - - - - -	\$ 2,380,447	\$ 1,778,326

See accompanying notes.

Alberta Distillers, Limited

AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 1962

1. Fire Loss.

On May 5, 1962 the company's still house was destroyed and certain other manufacturing facilities were damaged by fire. Manufacturing operations have been temporarily suspended and the necessary repairs and replacements are expected to be completed by November, 1962.

The company's assets were fully insured and it is anticipated that all losses as a result of the fire (estimated by the management at \$500,000) will be recovered. In addition, the company expects to be reimbursed by the insurers to the extent of \$15,000 per week from May 19, 1962 until manufacturing operations commence, as compensation for the temporary suspension of such operations.

Certain costs incurred as a result of the fire, together with the cost of inventories destroyed, are included in other assets in the financial statements pending the filing of claims for loss.

It is the intention of the company to restore the assets to substantially their state immediately prior to the fire. Therefore no entries have been made in the accounts to give effect to the loss of fixed assets or the insurance claim thereon.

2. Principles of Consolidation.

The consolidated financial statements include the accounts of the company and its subsidiaries, Carrington Distillers, (Ontario) Limited and Carrington and Company, Ltd., a United States company. The accounts of the United States subsidiary have been converted to Canadian dollars on the following basis: current assets and liabilities, which represent substantially all the net assets of the subsidiary, at the rate of exchange in effect at the year-end and expenses and revenue at the average rate of exchange for the year.

3. Long Term Debt.

	1962	1961
5% First (Closed) Mortgage Sinking Fund Bonds, maturing October 1, 1962 - - - - -	\$ —	\$ 199,000
6% Sinking Fund Debentures, Series A, maturing February 1, 1979 -	1,700,000	1,767,500
6½% Mortgage, due February 16, 1964 - - - - -	50,000	50,000
	<u>\$ 1,750,000</u>	<u>\$ 2,016,500</u>
<i>Deduct:</i>		
Cash or debentures repurchased on deposit with trustee - - -	\$ 8,500	\$ 52,619
Sinking fund instalments due within one year - - - - -	91,500	126,693
	<u>\$ 100,000</u>	<u>\$ 179,312</u>
	<u>\$ 1,650,000</u>	<u>\$ 1,837,188</u>

4. Capital.

During the year 125 shares of the company's capital stock were issued for \$312.50 cash upon exercise of Share Purchase Warrants attached to the 6% Sinking Fund Debentures, Series A.

At May 31, 1962, 349,875 shares of the company's capital stock were reserved for exercise of Share Purchase Warrants at a price of \$2.50 per share to February 1, 1963, \$3.25 per share thereafter to February 1, 1966 and \$4.25 per share thereafter to February 1, 1969 on which date the warrants expire.

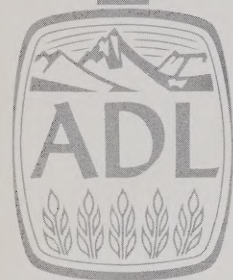
5. Income Taxes.

For income tax purposes, the company intends to claim capital cost allowances of \$23,200 in excess of depreciation recorded in the accounts thereby reducing income taxes otherwise payable for the year by \$11,800.

The accumulated reduction in income taxes payable to May 31, 1962 in respect of capital cost allowances claimed for income tax purposes in excess of depreciation recorded in the accounts amounted to \$198,700.

6. Depreciation.

Depreciation of buildings, machinery and equipment provided during the year ended May 31, 1962 amounted to \$165,504.



Alberta Distillers, Limited

CALGARY, CANADA
AND ITS SUBSIDIARIES

B R A N D S

CANADIAN RYE WHISKIES

Alberta Springs
Carrington's
Grey Cup
Alberta De Luxe
Alberta Premium
Rock Mount
Canada House

GINS

Grey Cup Golden
Rock Mount London Dry
Ranchman's Dry
Rock Mount Gin Collins

RUMS

Royal Marine Dark
Rumba White

VODKA

Alberta
Balalaika

BRANDY

Phillip Baron

LIQUEUR

Beauquer

SCOTS WHISKY

Agents for D. & J. McCallum Limited
McCallum's Perfection

